

Message Text

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ACTION OPIC-06

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 CIAE-00 INR-05

NSAE-00 /025 W
----- 026788

R 241535Z DEC 74
FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 8916

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E.O. 11652: N/A
TAGS: EINV, CS
SUBJECT: REQUEST FOR POLITICAL RISK INVESTMENT INSURANCE:
MORTON B. TURBOW

1. OPIC POLICY ON LAND ACQUISITION INVESTMENTS IN COSTA RICA
IS DESCRIBED IN STATE 154540, STATE 170513, AND SAN JOSE 2791.
THE RELEVANT PORTION READS, "OPIC INSURANCE AND FINANCING
PROGRAMS WILL NOT BE AVAILABLE TO SUPPORT PROJECTS INVOLVING
THE ACQUISITION OF SUBSTANTIAL LAND HOLDINGS IN COSTA RICA.
SPECIFICALLY EXCLUDED ARE LAND PURCHASES WHICH ARE ESSEN-
TIALY SPECULATIVE OR ARE FOR REAL ESTATE SUBDIVISION OR
DEVELOPMENT."

2. THE ABOVE POLICY WOULD APPEAR TO EXCLUDE SPECIFICALLY THE
INSURING OF THE "MANZANAS DEL ROBLEDALE" PROJECT REQUESTED
BY MORTON B. TURBOW. WHERE A POLICY HAS BEEN FORMULATED
THAT CLEARLY EXCLUDES AN OPIC GUARANTEE IN A PARTICULAR CASE,
THE EMBASSY WOULD ASSUME THAT OPIC'S PRE-SCREENING WOULD
DICTATE A REFUSAL AND OBTAIN THE NECESSITY OF AN ENQUIRY
TO THE EMBASSY.

3. THE EMBASSY WOULD ALSO QUESTION THE FINANCIAL ARRANGE-
MENTS FOR THE MANZANAS DEL ROBLEDALE PROJECT. IF WE READ
THE PROJECT DESCRIPTION CORRECTLY, THE APPLICANT FOR
INSURANCE NEVER HAS AT ANY STAGE OF THE PROJECT ANY
FINANCIAL INVESTMENT WHATSOEVER. APPARENTLY THE CON-

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TRACTOR PROVIDES OR OBTAINS THE CONSTRUCTION FINANCING

LOCALLY IN COSTA RICA AND VARIOUS SAVINGS AND LOAN ASSOCIATIONS PROVIDE THE MORTGAGE FINANCING THAT PAYS OFF THE CONSTRUCTION LOAN. TURBOW APPARENTLY PROVIDES ONLY THE "BRIDGING FINANCING" THAT COMES IN BETWEEN THE CONSTRUCTION LOAN AND THE MORTGAGES, AND HE PROVIDES THIS FINANCING NOT WITH HIS OWN FUNDS BUT WITH FUNDS BORROWED FROM A LOCAL BANK.

4. UNLESS WE ARE MISINTERPRETING THE ARRANGEMENTS FOR THIS PROJECT, THE KIND OF FINANCING INVOLVED MAKES THE INVESTOR LOOK MORE LIKE A PROMOTER OR A BROKER WHOSE ONLY CONTRIBUTION TO THE PROPOSED PROJECT WOULD BE HIS GUARANTEE FROM OPIC. THIS WOULD SUGGEST THE DESIRABILITY OF CHECKING OUT THOROUGHLY ALL OF THE PARTIES INVOLVED, IF OPIC WOULD WISH TO CONTINUE TO CONSIDER THIS PROJECT, SUCH AS: AICA-JACMAG INTERNATIONAL OF PANAMA, MORTON B. TURBOW, NORMAN VANDER CLUTE, AND THE PUERTO RICO FINANCIAL CORPORATION.

5. EL ROBLEDALE S.A. IS A NEWLY-ESTABLISHED FIRM WHOLLY OWNED BY AICA-JACMAG WHICH WAS ESTABLISHED IN 1964 AS ARQUITECTOS INGENIEROS CONSULTORES ASOCIADOS LTD. SEVENTY-FIVE PERCENT OF THE PARENT FIRM IS OWNED BY COSTA RICANS AND THE REMAINING 25 PERCENT IS OWNED BY JACMAG INTERNATIONAL OF PANAMA. WVCO DZO CARTAGO HEREDIA, REFERRED TO IN ITEM 10 AS BCH IS UNKNOWN TO EMBASSY AND IT PRESUMED TO BE AN ERROR.

6. BESIDES THE CONSIDERATIONS LISTED ABOVE, IT IS ALSO WORTH NOTING THAT THE SELLING PRICE OF THE HOUSING TO BE CONSTRUCTED IS ABOVE THE AVERAGE MIDDLE-INCOME RANGE IN COSTA RICA AND, CONTRARY TO THE STATEMENT MADE ON THE REGISTRATION FORM, WOULD NOT APPEAR TO MEET THE HOUSING NEEDS OF THAT SEGMENT OF THE POPULATION.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, INVESTMENT GUARANTEES, REAL PROPERTY ACQUISITION
Control Number: n/a
Copy: SINGLE
Draft Date: 24 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANJO04870
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740374-0408
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741212/aaaaajvt.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2002 by martinml>; APPROVED <19 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REQUEST FOR POLITICAL RISK INVESTMENT INSURANCE: MORTON B. TURBOW
TAGS: EINV, CS, OPIC, (TURBOW, MORTON B)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005